

# The Commonwealth of Massachusetts

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## DEPARTMENT OF PUBLIC UTILITIES

D.P.U. 24-15-B

February 17, 2026

Inquiry by the Department of Public Utilities on its own Motion into Energy Burden with a Focus on Energy Affordability for Residential Ratepayers.

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### PHASE I ORDER ON TIERED DISCOUNT RATES

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## SUMMARY

The Department of Public Utilities (“Department”) seeks to address the challenges of residents of the Commonwealth in paying their utility bills. To explore innovative solutions to the affordability issue, the Department opened this Energy Burden Inquiry to examine energy burden with a focus on energy affordability for residential ratepayers. An energy burden is the percentage of a household’s income spent on energy costs. To facilitate the investigation into these matters and develop a final framework that would provide effective and meaningful discount rates for low-income rate class customers in the Commonwealth, the Department solicited input from numerous stakeholders at various stages of this proceeding. The stakeholders included members of the public, municipal officials, environmental advocates, low-income advocates, the Attorney General, and the Commonwealth’s electric distribution companies and gas local distribution companies (“Distribution Companies”). The Department also required the Distribution Companies to provide detailed data through written discovery. Based on the discovery responses, data collected, discussions during workshops, and stakeholder input, the Department establishes a low-income discount rate framework that will address energy affordability for low-income residential ratepayers while balancing the needs of all utility customers.

More specifically, the Department directs the Distribution Companies to implement tiered discount rates with each of the six tiers designed to achieve a target energy burden. The number and definitions of low-income tiers, target energy burdens, and all assumptions underlying the low-income discount rate framework, except for specific discount rates, shall be consistent among all the Distribution Companies. The Department finds that a low-income discount rate framework applied statewide is preferable to a framework specific to each Distribution Company, at least for the initial implementation, as it will reduce customer confusion and increase administrative efficiency.

The six tiers will match the definitions under the federal Home Energy Assistance Program, for ease of implementation and administration. The Department directs the Distribution Companies to develop discounts for the lowest low-income tier (households earning less than or equal to 100 percent of the federal poverty limit (“FPL”)) to achieve a total energy burden of four percent: a two percent energy burden each for electric customers and gas heating customers, and a 0.5 percent energy burden for gas non-heating customers. Further, to balance bill impacts, the Distribution Companies shall develop discounts for the remaining five low-income tiers (households earning more than 100 percent of FPL and less than or equal to 60 percent of state median income) to achieve a total energy burden of six percent: a three percent target energy burden each for electric customers and gas heating customers and a 0.75 percent target energy burden for gas non-heating customers. Further, the Distribution Companies shall institute a discount floor of 15 percent for gas companies and 25 percent for electric companies.

The Department directs each Distribution Company to implement its new low-income discount rate framework by November 1, 2026, the beginning of the next winter heating season.

The Distribution Companies shall phase in the new rates for those low-income rate class customers who will receive a reduced discount from current levels. Those customers should be kept at their current discount rate for the first six months with reductions not to exceed five percentage points occurring every six months thereafter until the greater of the discount associated with the target energy burden or discount floor is reached. The Distribution Companies shall continue to collect the revenue shortfall associated with the discounts via their current residential adjustment assistance factors (“RAAFs”).

To ensure timely implementation, each Distribution Company must submit a compliance filing for Department review and approval, including a revised low-income tariff, no later than 60 days from the date of this Order. The Distribution Companies shall provide status updates regarding their implementation efforts and progress every 60 days thereafter. The Department intends to review the status of each Distribution Company’s tiered discount rate program approximately twelve months following implementation, to see how well the overall low-income discount rate framework and the specific discounts are working and whether any adjustments are needed. At that stage, the Department will determine the timing and process for the next framework evaluation. The Department intends to review the discounts in each Distribution Company’s base distribution rate case, to ensure that they are achieving the target energy burdens and remain aligned with changes in energy prices, usage trends, or other such items.

The Department also included in this inquiry issues regarding a moderate-income discount rate. The information gathered will be used to inform further inquiry and will facilitate the Department’s moderate-income discount rulemaking, including determinations of how to define eligible moderate-income customers, and how to recover the revenue shortfall from moderate-income discounts, and the framework used to determine the appropriate level of discount for eligible moderate-income customers.

Finally, the Department directs the Distribution Companies to cease charging low-income discount customers for the RAAF, consistent with the G.L. c. 164, § 1F(4)(i) requirement that “all other customers of a distribution company” shall pay for the costs of discounted rates. The Department requires each Distribution Company to provide a revised RAAF tariff. The Department also finds that statewide cost recovery of the RAAF would be more equitable than the current utility-specific cost recovery, as the burden of funding the discount rates disproportionately falls on communities that are least able to afford it. Where G.L. c. 164, § 1F(4)(i) currently prohibits statewide cost recovery, the Department encourages the Legislature to consider legislation that would permit statewide recovery.

## I. INTRODUCTION

The Department of Public Utilities (“Department”) opened this inquiry to examine energy burden with a focus on energy affordability for residential ratepayers. Energy Burden Inquiry, D.P.U. 24-15, Vote and Order Opening Inquiry (2024) (“Vote and Order”). In particular, the Department sought to consider improvements to existing energy affordability policies and programs, to ensure maximum participation in each of these programs, and to determine whether additional programs may further benefit residential ratepayers of the Commonwealth’s electric distribution companies (“EDCs”) and gas local distribution companies (“LDCs”) (together, “Distribution Companies”). The Distribution Companies include: Boston Gas Company, Massachusetts Electric Company, and Nantucket Electric Company, each d/b/a National Grid (“National Grid”); NSTAR Electric Company, NSTAR Gas Company, and Eversource Gas Company of Massachusetts, each d/b/a Eversource Energy (“Eversource”); Fitchburg Gas and Electric Light Company d/b/a Unitil (“Unitil”); Liberty Utilities (New England Natural Gas Company) Corp. d/b/a Liberty (“Liberty”); and The Berkshire Gas Company (“Berkshire”).

Throughout this proceeding, the Department sought input from and collaboration with all interested stakeholders to develop a final framework that would provide effective and meaningful discount rates for low-income rate class customers in the Commonwealth while balancing the interests of other classes of ratepayer. Based on the responses to discovery requests, data collected, and input from the interested stakeholders, this Order establishes a low-income discount rate framework that will address energy affordability for low-income

residential ratepayers.<sup>1</sup> Further, it directs the Distribution Companies to implement the framework through tiered discount rates for effect no later than November 1, 2026. As discussed below, the Department intends to review the tiered discount rate framework approximately twelve months following implementation. Finally, this Order discusses the processes for (a) establishing a discount rate for eligible moderate-income customers and (b) recovery of the revenue shortfall from low-income discount rates.

## II. PROCEDURAL HISTORY

Energy burden is the percentage of a household's income spent on energy bills (i.e., total home energy costs divided by household income). Vote and Order at 3, citing 42 U.S.C. § 8622(2); Human Services Amendments of 1994, 108 Stat. 623, Public Law 103-252 (signed May 18, 1994).

In the Vote and Order, the Department solicited comments on numerous aspects of how to design a residential energy affordability program and solicited cost and usage data from the Distribution Companies based on their then-current programs. Vote and Order at 12-14, 16-18.<sup>2</sup> The Department received comments from over 100 interested stakeholders, including members of the public, environmental and environmental justice advocates, low-income advocates, the Attorney General of the Commonwealth ("Attorney General"), and the Distribution Companies.

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<sup>1</sup> Except for Massachusetts Electric Company and Nantucket Electric Company, each of the Distribution Companies currently offers a flat rate discount to its eligible low-income rate class customers (40 percent to 42 percent for electric customers; 25 percent for gas customers). Vote and Order at 6. Massachusetts Electric Company and Nantucket Electric Company currently offer tiered discount rates, as described below.

<sup>2</sup> The Department subsequently issued several rounds of discovery requests to the Distribution Companies to gather details about their programs, customers, and usage.

On June 24, 2024, the Department convened a virtual all-day Energy Burden workshop to further explore the issues raised in the Vote and Order. The workshop was interpreted into six languages other than English and attended by about 100 people.

On September 12, 2024, the Department issued an Interlocutory Order in which the Department determined various areas of consensus, including that energy affordability programs should be designed so that the total household energy burden is no more than six percent.

Energy Burden Inquiry, D.P.U. 24-15-A, Interlocutory Order on Next Steps in Investigation of Energy Affordability at 3-4 (2024). In addition, based on the input received, the Department determined that it should focus on developing energy burden-targeted tiered discount rates.<sup>3</sup> D.P.U. 24-15-A at 5-6. The Department posed several questions for further exploration of tiered discount rates, including questions regarding the determination of the appropriate energy burden target levels. D.P.U. 24-15-A at 8. The Department also determined that recovery of the revenue shortfall associated with energy affordability programs should continue to be collected through company-specific residential assistance adjustment factors (“RAAFs”) across all customer classes.<sup>4</sup> D.P.U. 24-15-A at 8-9. The Department received comments and responses from over 20 members of the public, elected state officials, and other interested stakeholders, including the following: (1) the Distribution Companies; (2) the Attorney General;

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<sup>3</sup> Tiered discount rates offer a range of discounts to income-eligible customers that more directly address energy burdens for different income groups, with higher discount rates for customers at the lower end of the income scale and lower discount rates for customers at the higher end of the income scale. D.P.U. 24-15-A at 2 n.2.

<sup>4</sup> The Department addresses whether customers receiving a discount rate should also pay the RAAF in Section VI below.

(3) Department of Energy Resources (“DOER”); (4) National Consumer Law Center (“NCLC”); (5) Cape Light Compact; and (6) a coalition of environmental and climate justice stakeholders (“Stakeholder Coalition”).<sup>5</sup>

On September 30, 2024, the Department approved, with modifications, Massachusetts Electric Company and Nantucket Electric Company’s (“National Grid electric companies”) proposal to implement a five-tiered discount rate framework for qualifying electric income-eligible customers. Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 23-150, at 577-580 (2024). The rate discounts ranged from 32 percent to 71 percent based on a target electric energy burden of 3.1 percent. D.P.U. 23-150, at 577-579.<sup>6</sup> The Department stated its intention to further investigate the structure of a tiered low-income discount rate in the current proceeding, noting that this might result in future changes to the discount structure approved for the National Grid electric companies. D.P.U. 23-150, at 578.

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<sup>5</sup> The Stakeholder Coalition includes representatives of the Conservation Law Foundation, Environmental League of Massachusetts, Vote Solar, Metropolitan Area Planning Council, Planning Office for Urban Affairs, Local Initiatives Support Corporation Massachusetts, Housing Corp. of Arlington, Revitalize Community Development Corp., Massachusetts Assoc. of Community Development Corps., Rethinking Power Management, Elders Climate Action Massachusetts, Pine Street Inn, Sierra Club Massachusetts, South Boston Neighborhood Development Corporation, Acadia Center, Environmental Defense Fund, Resonant Energy, Rewiring America, Massachusetts Climate Action Network, Low-Income Weatherization and Fuel Assistance Network, and Massachusetts Energy Directors Association.

<sup>6</sup> The National Grid electric companies implemented the tiered low-income discount rate for qualifying Community Action Program agency clients as of August 29, 2025, and implemented the tiered low-income discount rate for qualifying Department of Transitional Assistance customers as of September 29, 2025. The National Grid electric companies applied the new rates to these customers’ bills retroactively to June 1, 2025.

Thus, the Department deferred several issues from the D.P.U. 23-150 proceeding to this proceeding. D.P.U. 23-150, at 580-581.<sup>7</sup>

On January 28, 2025, the Department convened a virtual all-day technical conference to discuss the following issues, which the Department termed the Phase I issues: (1) how to determine a target energy burden level; (2) how to translate the target energy burden level into tiered discount rates and define the tiers; and (3) how to address recovery of the revenue shortfall from discount rates.<sup>8</sup> Energy Burden Inquiry, D.P.U. 24-15, Hearing Officer Memorandum on Phase I Technical Conference at 2 (December 26, 2024). The technical conference was interpreted into six languages other than English with over 20 active participants and numerous attendees.

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<sup>7</sup> Among the deferred issues were the following: (1) scrutiny of the assumptions and calculations underlying the National Grid electric companies' analysis; (2) how to develop a target energy burden level; (3) how to develop an appropriate average annual bill; (4) how to develop an appropriate tiering structure; (5) whether and how to amend discount rates over time; and (6) whether to recover the discount costs from discount-rate eligible customers. D.P.U. 23-150, at 580-581, 603. The Department also deferred issues related to verification, enrollment, and outreach, which issues are not relevant to this Order and will be addressed in Phase II of this proceeding. In addition, the Department will address use of the term "income-eligible" instead of "low-income" during Phase II.

<sup>8</sup> Subsequently, the Department announced that it would address Phase II issues (*i.e.*, issues related to enrollment, verification, outreach, and other matters) by convening a stakeholder working group. Energy Burden Inquiry, D.P.U. 24-15, Hearing Officer Memorandum on Energy Burden Phase II Working Group (May 16, 2025). The Phase II working group, co-chaired by representatives from the Attorney General's Office, the Distribution Companies, and the National Consumer Law Center, began meeting on June 23, 2025, and has continued its exploration of these issues with numerous meetings since then. As noted above, Phase II will include several issues deferred from D.P.U. 23-150.

Using data provided by the Distribution Companies (in response to the questions posed in the Vote and Order and four sets of discovery) and stakeholder input, the Department developed a tiered discount rate model to calculate discount rates based on a target energy burden, with various assumptions. On May 15, 2025, the Department shared a working Microsoft Excel version of the model with the stakeholders and explained its design and assumptions. Energy Burden Inquiry, D.P.U. 24-15, Hearing Officer Memorandum on Tiered Discount Rates Model at 2-5 (May 15, 2025). The model allowed users to enter various values for different assumptions, with target energy burden as the most relevant value. The Department invited stakeholders to explore and offer comments on the model and to provide full and detailed support for any proposed changes to its assumptions. Energy Burden Inquiry, D.P.U. 24-15, Hearing Officer Memorandum on Tiered Discount Rates Model at 2, 6-7 (May 15, 2025).

The Department received feedback on the model at a June 10, 2025 technical conference and through written comments filed thereafter. The following stakeholders provided written comments: (1) the Distribution Companies; (2) the Attorney General; (3) a coalition of environmental and climate justice advocates (“Environmental Advocates”);<sup>9</sup> (4) Environmental Defense Fund (“EDF”); (5) Low-Income Energy Affordability Network, Low-Income Weatherization and Fuel Assistance Program Network, and Massachusetts Energy Directors Association jointly (“LEAN”); (6) NCLC; and (7) Sierra Club.<sup>10</sup> The Department analyzes and

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<sup>9</sup> The Environmental Advocates include representatives of Conservation Law Foundation, EDF, Environmental League of Massachusetts, Planning Office for Urban Affairs, Vote Solar, and American Council for an Energy-Efficient Economy.

<sup>10</sup> DOER provided feedback at the technical conference but not written comments.

responds to these comments as appropriate in the discussion below. The Department also received responses to discovery regarding the tiered discount rate model from the Distribution Companies, the Attorney General, and EDF.<sup>11</sup>

### III. LOW-INCOME DISCOUNT RATE FRAMEWORK

#### A. Tiered Discount Rate Model Description

The Department proposed a low-income, tiered discount rate framework that reflects the importance of considering energy burden in creating discounts. The framework required consideration of the number and definition of income tiers and the target energy burden levels for residential electric, gas heating, and gas non-heating customers. To calculate possible discounts, the Department designed a model based on the framework to calculate tiered discount rates with statewide assumptions for income (the middle income of each income tier), household size (two people), target energy burden, company-specific rates, and company-specific mean usage derived from discovery responses.<sup>12</sup> The model also assumed a six-tier structure, defining the tiers as those in use by the Home Energy Assistance Program (“HEAP”).<sup>13</sup> Energy Burden

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<sup>11</sup> The Department on its own motion, pursuant to 220 CMR 1.10(3), moves into the evidentiary record of this proceeding the following responses to information requests: DPU 1-1 through DPU 1-8; DPU 2-1 through DPU 2-2; DPU 3-1 through DPU 3-3; DPU 4-1 through DPU 4-2; DPU 5-1 through DPU 5-8; DPU-AG 1-1 through DPU-AG 1-6; and DPU-EDF 1-1 through DPU-EDF 1-6.

<sup>12</sup> As noted above, the Department shared the model with stakeholders and invited them to explore and offer comments on it. Energy Burden Inquiry, D.P.U. 24-15, Hearing Officer Memorandum on Tiered Discount Rates Model at 2, 6-7 (May 15, 2025).

<sup>13</sup> HEAP, also known as fuel assistance, is a federally funded program that helps eligible households pay a portion of winter heating bills. The program sends money to a customer’s heating company to be credited to their account and can sometimes make payments on electric bills. <https://www.mass.gov/info-details/learn-about-home-energy->

Inquiry, D.P.U. 24-15, Hearing Officer Memorandum on Tiered Discount Rates Model at 2 (May 15, 2025).

Using the assumptions noted above, the Department proposed discounts based on providing a total target energy burden of four percent for customers in the lowest tier, earning zero to less than or equal to 100 percent of the federal poverty level (“FPL”). Energy Burden Inquiry, D.P.U. 24-15, Hearing Officer Memorandum on Tiered Discount Rates Model at 2 (May 15, 2025). The Department determined the total energy burden of four percent as two percent each for electric customers and gas heating customers, with 0.5 percent for gas non-heating customers.<sup>14</sup> Energy Burden Inquiry, D.P.U. 24-15, Hearing Officer Memorandum on Tiered Discount Rates Model at 4 (May 15, 2025). For the other tiers, the Department proposed: (1) maintaining the current bill discount rates for customers in the highest tier, *i.e.*, those earning greater than 200 percent of the FPL to less than or equal to 60 percent of the statewide median income (“SMI”); and (2) applying the average of the highest and lowest discount rates to customers in the four middle tiers, *i.e.*, those earning greater than 100 percent of the FPL to less than or equal to 200 percent of the FPL. Energy Burden Inquiry, D.P.U. 24-15, Hearing Officer Memorandum on Tiered Discount Rates Model at 2 (May 15, 2025). The model attempted to mitigate bill impacts for all low-income rate class customers while providing the most assistance to customers with the lowest incomes, and without reducing any of the current

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[assistance-heap#eligible-costs-and-payment-system](#) (last visited on January 30, 2026). Eligibility for HEAP is also a path to eligibility for low-income discount rates. G.L. c. 164, § 1F(4)(i).

<sup>14</sup> Because the energy burden for gas non-heating customers is a much lower percentage of their total energy burden, the Department set it at 0.5 percent.

discount rates. Energy Burden Inquiry, D.P.U. 24-15, Hearing Officer Memorandum on Tiered Discount Rates Model at 2 (May 15, 2025).

In developing the proposed discounts, the Department had to consider several issues regarding the low-income discount rate framework. As described above, stakeholders reached consensus that a total household energy burden should not exceed six percent, which is generally considered a high energy burden. D.P.U. 24-15-A at 3 & n.3; Vote and Order at 3. Nevertheless, there are drawbacks in assuming that six percent is the appropriate target value for all income tiers, especially when one considers the high cost of living in Massachusetts. For certain low-income rate class customers, a lower target energy burden is more appropriate, so the Department assumed that a customer with gas heating should not have to pay more than four percent of their income for their total energy needs (i.e., electricity and gas). On the other hand, using a four percent target energy burden could result in higher income customers' receiving a lower discount than they currently experience.

The Department also considered the cost impact on all other customers. This task was challenging, as deriving an estimate of the increase in costs associated with a tiered discount rate requires knowing the number of customers within each income tier for each Distribution Company, and this information was not available. Therefore, to develop rough estimates of the potential cost of a tiered discount rate, the Department began with the total number of customers receiving low-income discounts and distributed them into the income tiers based on fiscal year 2024 HEAP household income information. Energy Burden Inquiry, D.P.U. 24-15, Hearing Officer Memorandum on Tiered Discount Rates Model at 3 (May 15, 2025). After applying a four percent total energy burden to all income tiers, the model showed large bill impacts,

especially for Unutil customers. Therefore, to balance this concern and ensure that no low-income customer would experience a bill increase due to this new framework, the Department pursued alternative methods of determining appropriate discounts for the upper income tiers. The Department diverged from an energy burden target for the highest income tier and proposed a discount floor equal to the current discounts. Energy Burden Inquiry, D.P.U. 24-15, Hearing Officer Memorandum on Tiered Discount Rates Model at 2 (May 15, 2025). The Department then averaged the highest and lowest discounts to determine the discount for the middle tiers. Energy Burden Inquiry, D.P.U. 24-15, Hearing Officer Memorandum on Tiered Discount Rates Model at 2 (May 15, 2025). The Department understood the limitations inherent in employing broad assumptions but, as part of the iterative policy-development process, proposed the model for comment as a starting point. Energy Burden Inquiry, D.P.U. 24-15, Hearing Officer Memorandum on Tiered Discount Rates Model at 2 (May 15, 2025).

B. Comments

1. Attorney General

The Attorney General notes that the Department’s proposed low-income discount rate framework and tiered discount rate model seem to abandon a target energy burden as the guiding principle for addressing energy affordability for all but the lowest income tier of customers (Attorney General Comments at 2-3).<sup>15</sup> The Attorney General recommends several

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<sup>15</sup> We refer to the comments provided in response to Energy Burden Inquiry, D.P.U. 24-15, Hearing Officer Memorandum on Tiered Discount Rates Model (May 15, 2025), as “[Stakeholder Name] Comments.”

modifications that would, among other things, ensure that discount percentages are set so that bills for customers within each income tier are at or close to the target energy burden (Attorney General Comments at 2).

In particular, the Attorney General disagrees with averaging the highest and lowest discounts for the middle tiers, claiming that this will lead to inconsistent and arbitrary results (Attorney General Comments at 5). The Attorney General also disagrees with retaining the current discounts for the highest tier, claiming that this would establish discounts that are not targeted to energy burden and not tethered to fluctuations in supply costs, energy bills, inflation, or other varying economic conditions (Attorney General Comments at 5-6). Rather, the Attorney General recommends that the Department establish a specific energy burden target for each income tier and set discount levels accordingly (Attorney General Comments at 3). The Attorney General proposes a four percent total energy burden for the lowest income tier and a six percent total energy burden for all other tiers, with an even split between the gas and electric energy burdens (Attorney General Comments at 4, 8). Further, the Attorney General proposes seven income tiers, splitting the highest tier in the model into two tiers, with each respective discount level targeted to the intended energy burden (Attorney General Comments at 4, 7, 11-12).

The Attorney General acknowledges that setting discount percentages so that customer bills are at or close to the target energy burden would likely result in no discount for Berkshire and Liberty gas heating customers in the highest tier, based on applicable assumptions, but states that ensuring that discount levels align with the applicable energy burden is an important cost-control measure (Exh. DPU-AG 1-5(a)). The Attorney General recommends incrementally

phasing in both increases and decreases to current discount levels over a reasonable time period (e.g., over two years or every six months), at least for some companies, to reduce rate shock, mitigate bill increases, and manage costs (Exhs. DPU-AG 1-1; DPU-AG 1-5(b); Attorney General Comments at 2, 4, 7, 8-9). Finally, the Attorney General provided recommendations concerning consumption tiers, income disregards, and minimizing implementation costs (Attorney General Comments at 13-14).

## 2. Environmental Advocates

The Environmental Advocates emphasize the need to prioritize equity and affordability in the design of a tiered discount rate, particularly to protect the most vulnerable customers from increased energy burden (Environmental Advocates Comments at 1). The Environmental Advocates support the use of a tiered discount rate structure with six tiers that align with the HEAP tiers but do not agree with maintaining current discounts for the highest income tier or averaging the highest and lowest discounts for the middle-income tiers (Environmental Advocates Comments at 1-2, 3). Rather, the Environmental Advocates urge the Department to use a target energy burden to calculate discount levels for all income tiers, which will ensure greater consistency throughout the state (Environmental Advocates Comments at 2). The Environmental Advocates also urge the Department to differentiate the middle-income tiers with gradual steps between tiers to alleviate significant bill impacts for those households whose income levels frequently change (Environmental Advocates Comments at 2). The Environmental Advocates support the use of a four percent energy burden for the lowest income tier but warn that using too low a target energy burden for the highest income tier risks creating a

cliff effect of customers facing high bill impacts, with non-low-income rate class customers paying for the increased discount program costs (Environmental Advocates Comments at 2).<sup>16</sup>

3. EDF

EDF supports the comments of the Environmental Advocates, including the position that the middle tiers should be differentiated so that they do not receive the same level of discount (EDF Comments at 1). EDF also offers a research memo from Switchbox<sup>17</sup> that proposes a methodology for measuring the full costs and benefits of the proposed low-income discount rate framework and provides further factors for the Department to consider (EDF Comments at 1).

4. LEAN

LEAN agrees that the tiered discount rate income tiers should track with the HEAP tiers, as about 40 percent of low-income rate class customers now qualifying for the low-income discount qualify from their receipt of HEAP, and further states that using a different set of income tiers would add significant administrative cost and inefficiency (LEAN Comments at 2). LEAN further states that, to maintain equity and affordability for all customers, discount rates should be set so that no customer experiences a bill increase as a result of the introduction of tiered discount rates (LEAN Comments at 2). LEAN notes that more than a quarter of current low-income rate class customers would fall into the highest tier and that offering proposals for

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<sup>16</sup> The Environmental Advocates also recommend that the Department consider tiered discount rates and heat-pump rates together, as the model does not capture the impacts for low-income rate class customers who have or want to electrify (Environmental Advocates Comments at 3).

<sup>17</sup> Switchbox is a nonprofit think tank that produces accessible data on state climate policy for advocates, policymakers, and the public (Switchbox Research Memo at 2).

energy burden targets that result in zero or close to zero discounts for that tier would bring bill increases to those customers as high as 72 percent (LEAN Comments at 2). LEAN states that any bill increase to low-income households caused by increased discounts for others, let alone bill increases at or close to 72 percent, would be neither affordable nor equitable (LEAN Comments at 2-3).

5. NCLC

NCLC maintains that an effective utility bill affordability program must: (1) serve all residential customers who are income-eligible to participate in HEAP; (2) lower program participants' home energy burdens to an affordable level; (3) be funded through a mechanism that is reliable while providing sufficient resources to both serve all income-eligible utility customers and to meet burden-reduction policy objectives over an extended timeframe; and (4) be administered efficiently and effectively (NCLC Comments at 1). NCLC supports a four percent combined electric and gas target energy burden for the lowest income tier but asserts that averaging the middle tiers seems arbitrary and compromises the objective of lowering participants' burdens to an affordable level, particularly because the current discounts offered by the Distribution Companies vary considerably (NCLC Comments at 2). NCLC urges the Department to apply the same four percent target burden to each of the income tiers and recommends that no customer currently taking the discount rate experience a discount percentage reduction as result of tiered discount rate implementation (NCLC Comments at 2).

With respect to non-participant bill impacts, NCLC states that equity and affordability objectives justify spreading the cost of a robust tiered discount rate to non-participating customers but that it is difficult to say what level of non-participant bill impacts is "acceptable"

(NCLC Comments at 3, 4). NCLC concurs with LEAN that aligning the discount rate tiers with HEAP tiers is consistent with administrative efficiency principles and may lower enrollment hurdles experienced by some participants (NCLC Comments at 4). NCLC further notes that “tighter” income tiers result in a more precise targeting of benefits and therefore supports parties and stakeholders working together to consider revising the HEAP tiers to divide the zero percent to 100 percent of FPL tier (NCLC Comments at 4). Finally, NCLC recommends that the model usage assumptions be based on median usage rather than mean, company-specific usage (NCLC Comments Checklist).

#### 6. Sierra Club

Sierra Club supports the Department’s proposed approach of targeting the desired energy burden to the lowest income tier but has concerns with maintaining current discounts for the highest income tier and assigning the average of the highest and lowest discounts to the middle-income tiers (Sierra Club Comments at 1). Sierra Club states that assigning the average to the four middle tiers results in higher energy burdens for lower income households, with the second lowest tier seeing the highest energy burden of all the tiers, especially in comparison to the lowest tier (Sierra Club Comments at 1). Sierra Club strongly recommends designing the discount rate for all tiers by targeting the desired energy burden level so as to ensure that the tiered discount rates deliver affordable energy bills for all low-income rate class customers (Sierra Club Comments at 1).

Further, Sierra Club supports a four percent target energy burden, including a two percent energy burden for electricity, a two percent energy burden for gas heat, and a 0.5 percent energy burden for gas non-heat (Sierra Club Comments at 2). Sierra Club states that this approach

strikes an appropriate balance between providing meaningful discounts to low-income rate class customers while considering the bill impacts of those discounts on other customers (Sierra Club Comments at 2). As a general matter, Sierra Club recommends that the Department prioritize achieving affordability for low-income rate class customers over concerns with the cost of the discounts on other customers, given the low energy burdens of the non-low-income rate class customers who will fund the increased discount costs (Sierra Club Comments at 2). According to Sierra Club, the additional burden from funding the costs of the discounts would most likely be modest compared to the relief that the discount rates can provide low-income households (Sierra Club Comments at 3).

Sierra Club supports the adoption of six tiers that align with the HEAP tiers, which keeps program administration and customer enrollment relatively simple (Sierra Club Comments at 3). For customers in the highest income tier, however, Sierra Club suggests using the greater of 60 percent of SMI or 60 percent of area median income (“AMI”) to determine the eligibility threshold, so as to maximize eligibility for customers in areas of the state where 60 percent of AMI is higher (Sierra Club Comments at 3). While Sierra Club has previously advocated for adding additional tiers for high consumption customers, it now argues that the Department’s proposal to base the discount on mean usage and target energy burden of four percent, along with the suggested modifications to the discount rates, will sufficiently address the needs of high-usage households without the added complexity of consumption tiers (Sierra Club Comments at 3-4).

## 7. Distribution Companies

The Distribution Companies support setting a target energy burden to most benefit the lowest tier but have concerns with maintaining current discounts for the highest income tier and assigning the average of the highest and lowest discounts to the middle tiers (Distribution Companies Comments at 2). The Distribution Companies describe this approach as arbitrary, inequitable, and at odds with the fundamental purpose of a low-income discount rate framework aimed at reaching a target energy burden (Distribution Companies Comments at 2-3). Instead, the Distribution Companies recommend that the six tiers be differentiated to recognize differences in energy burden and designed so that the discount level gradually increases across the different tiers, with an overall six percent energy burden target for all tiers (Distribution Companies Comments at 3, 4, 12). According to the Distribution Companies, this approach strikes the right balance between supporting income-eligible households and total costs to fund the discounts (Distribution Companies Comments at 12). In addition, the Distribution Companies recommend the following changes to the low-income discount rate framework:

- Considering a discount for all but the lowest tier based on the middle income of the tier and a discount for the lowest tier based on two-thirds of the income range for that tier to create more even steps between tiers;
- Calculating average household size (approximately 2.5 persons) and income based on a weighted average of households, which is more representative overall of the customer base and the effectiveness of the discounts received in reaching target energy burden levels;
- Changing the assumptions relative to usage from usage based on historical consumption data to the same usage used in typical bill impact analyses; and
- Setting residential non-heating gas percentages equal to the residential heating gas discount percentages, given the relatively small number of low-income non-heating gas customers, and keeping the discount rate at 25 percent for LDC customers in the highest tier (Distribution Companies Comments at 12-13).

While the Distribution Companies support a six-tier framework, because it aligns with the HEAP tiers and could streamline the process, they also recommend consideration of five tiers (Distribution Companies Comments at 8, 12). The Distribution Companies note that several of them already administer a five-tier discount rate structure in other jurisdictions (Connecticut and New Hampshire) and that the Department approved a five-tier discount rate structure in D.P.U. 23-150 (Distribution Companies Comments at 8, 12). Finally, the Distribution Companies offer specific modifications and updates to the model and assumptions underlying the number of customers and delivery rates (Distribution Companies Comments at 5-6, 12-14).

### C. Conclusions on Low-income Discount Rate Framework

#### 1. Introduction

As an initial matter, the Department endeavors to ensure that all customers, and particularly low-income residential rate class customers, have affordable energy bills. Further, the Department finds that a low-income discount rate framework that is applied statewide is preferable to applying a framework specific to each Distribution Company, at least for the initial implementation. In particular, the Department favors this approach because it will reduce customer confusion across service territories and increase administrative efficiency. Therefore, the Department directs that the number and definitions of low-income tiers, target energy burdens, and all assumptions underlying the low-income discount rate framework, except for company-specific discount rates, be consistent among all the Distribution Companies.

#### 2. Number and Definition of Low-income Tiers

Most of the stakeholders agree with the Department's proposal to use six income tiers matching those currently used by HEAP (Distribution Companies Comments at 8;

Environmental Advocates Comments at 3; LEAN Comments at 2; NCLC Comments at 4; Sierra Club Comments at 3). The Attorney General suggests using seven tiers, splitting the highest HEAP tier into two tiers to better target discounts, and the Distribution Companies recommend consideration of five tiers as approved elsewhere (Attorney General Comments at 4, 7, 11-12; Distribution Companies Comments at 12). Sierra Club recommends using the greater of 60 percent of SMI or 60 percent of AMI to determine the eligibility threshold for the highest tier so as to maximize eligibility for customers in those areas of the state where 60 percent of AMI is higher (Sierra Club Comments at 3).

On balance, the Department finds that a six-tier structure that matches the HEAP tiers allows for ease of implementation and administration, since eligibility determinations and enrollment will be facilitated by state agencies and community action agencies that have already designed their programs using the six HEAP tiers. The Department therefore directs the Distribution Companies to implement a tiered discount rate with six tiers, defined as they are currently for HEAP:

- Households earning less than or equal to 100 percent of FPL;
- Households earning greater than 100 percent and less than or equal to 125 percent of FPL;
- Households earning greater than 125 percent and less than or equal to 150 percent of FPL;
- Households earning greater than 150 percent and less than or equal to 175 percent of FPL;
- Households earning greater than 175 percent and less than or equal to 200 percent of FPL; and
- Households earning greater than 200 percent of FPL and less than or equal to 60 percent of SMI.

The Department intends to reassess the number and definition of these tiers in the future to determine if more (or fewer) tiers or different ranges of income would result in improved benefits or efficiencies for customers, Distribution Companies, community action agencies, and state agencies. At those opportunities, the Department may also consider the use of consumption tiers or income disregards, as recommended by the Attorney General (Attorney General Comments at 13-14). The Department will also monitor any changes that HEAP makes to its tier definitions.

### 3. Changes to Assumptions

For the tiered discount rate model, the Department initially assumed the following: (1) company-specific usage, as it is more accurate to target energy burden by service territory; (2) mean usage, as it results in more effective discounts for a greater portion of customers than median usage; and 3) a household size of 2.0, based on a statewide median household size of 2.45. Energy Burden Inquiry, D.P.U. 24-15, Hearing Officer Memorandum on Tiered Discount Rates Model at 4 (May 15, 2025). After further consideration, and noting the relevant comments on household size and usage from the Distribution Companies and NCLC (Distribution Companies Comments at 12-13; NCLC Comments Checklist), the Department changed the household size assumption from 2.0 persons to 2.5 persons and changed the usage assumption from company-specific mean usage to the same usage used in typical bill impact analyses for all companies.

### 4. Target Burden

Most of the stakeholders agree with the Department's proposed total target energy burden of approximately four percent for the lowest tier (broken down into two percent for both electric

customers and gas heating customers, and 0.5 percent for gas non-heating customers) but do not agree with maintaining the current discounts for the highest tier and averaging the highest and lowest discounts for the four middle tiers (Attorney General Comments at 4, 5-6, 8; Environmental Advocates Comments at 1-2; EDF Comments at 1; NCLC Comments at 2; Sierra Club Comments at 1-2). According to the Attorney General, this approach departs from a target energy burden as the guiding principle for addressing energy affordability for all but the lowest income and would lead to arbitrary and inconsistent results (Attorney General Comments at 2-3, 5-6). Rather, most of the stakeholders urge the Department to apply a target energy burden to each tier (Attorney General Comments at 3; Environmental Advocates Comments at 2; NCLC Comments at 2; Sierra Club Comments at 1-2). The Attorney General recommends a four percent total energy burden for the lowest income tier and a six percent total energy burden for all other tiers, NCLC and Sierra Club recommend a four percent total energy burden for all tiers, and the Distribution Companies recommend a six percent total energy burden for all tiers (Attorney General Comments at 4, 8; NCLC Comments at 2; Sierra Club Comments at 2; Distribution Companies Comments at 4, 12).

In response to the above-noted opposition and the stakeholder comments, the Department considered all of the circumstances and undertook the challenging task of balancing the need for discounts with overall ratepayer costs. We re-examined the application of target energy burdens for each income tier and found that the low-income discount rate framework should focus on discounts derived from a target energy burden for all tiers, with a distinct discount for each tier. The Department therefore directs the Distribution Companies to develop discounts for the lowest tier intended to achieve a total energy burden of four percent: a two percent energy burden each

for electric customers and gas heating customers and a 0.5 percent energy burden for gas non-heating customers. To balance bill impacts for all other customers from whom the Companies recover the revenue shortfall, the Distribution Companies shall develop discounts for the remaining five tiers to achieve a total energy burden of six percent: a three percent target energy burden each for electric customers and gas heating customers and a 0.75 percent target energy burden for gas non-heating customers. Recognizing that this approach could result in no discount for some customers in the highest tiers, the Department directs the Distribution Companies to institute a discount floor of 15 percent for LDCs and 25 percent for EDCs. To further alleviate budgetary pressures for customers receiving a decreased discount level under the tiered discount rate structure relative to the current level, the Distribution Companies shall phase in the decreased discount levels by maintaining the current discount level for the first six months and then lowering it every six months in increments not to exceed five percentage points until the target discount level is achieved.<sup>18</sup>

#### IV. IMPLEMENTATION

##### A. Comments on Implementation

##### 1. Phasing in New Rates

The Department sought input from stakeholders including the Attorney General, EDF, and the Distribution Companies on whether new discount rates should be phased in over time, particularly for those customers who may experience a decrease in their discount rate relative to the current level (Exhs. DPU 5-1; DPU-AG 1-1; DPU-EDF 1-1). As noted above, the Attorney

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<sup>18</sup> For example, reducing the current 25 percent discount by five percentage points would result in a 20 percent discount.

General recommends incrementally phasing in both increases and decreases to current discount levels over a reasonable time period (e.g., over two years or every six months), at least for some companies, to reduce rate shock, mitigate bill increases, and manage costs (Exhs. DPU-AG 1-1; DPU-AG 1-5(b); Attorney General Comments at 2, 4, 7, 8-9). The Attorney General further recommends avoiding discount level reductions during the heating season for gas customers and electric heating customers and during the cooling season for electric customers (Exhs. DPU-AG 1-1). EDF recommends that the Department consider phasing in the new discounts in increments of ten percent until the full level of discount is achieved, as a guardrail against unintended rate impacts on other customers (Exh. DPU-EDF 1-1).

The Distribution Companies state that implementation of the tiered discount rates may occur at different times for each company, based on each company's discount rate analysis, but agree that the actual transition of individual customers could be phased in over time to minimize the negative impact to customers receiving a lower discount (Exhs. DPU 5-1 (Berkshire); DPU 5-1 (Eversource); DPU 5-1 (Liberty); DPU 5-1 (National Grid); DPU 5-1 (Unitil)). Unitil estimates that it will take approximately nine to twelve months to design, build, test, and implement tiered discount rates once the parameters are known and about two months prior to the effective date if the phase-in involves only a change in the percentage after tiers are established (Exh. DPU 5-1 (Unitil)).

Based on its experience with implementing tiered electric low-income discount rates in Connecticut, Eversource provided the following additional implementation recommendations:

1. Work closely with state data-matching partners to aid in estimating the anticipated distribution of customers within the new tiers and in planning and pacing the transition for individual customers onto the new discount rates;

2. Design implementation and transition plans to communicate in advance with customers whose discount will be increasing or decreasing and with key partners (e.g., community action agencies) to provide insight and training on the changes;
3. Consider using shoulder months to level out customer bill impacts based on whether they are expected to have a decreased or increased discount; and
4. Avoid transitioning at the end of the winter moratorium during annual post-moratorium peak call volumes for customers seeking to make payments and enroll in arrearage management programs (Exh. DPU 5-1 (Eversource)).

2. Frequency of Review

The Department asked stakeholders how often an established tiered low-income discount rate structure should be reviewed and amended to ensure alignment with changes in energy prices, inflation, usage trends, or other such items. D.P.U. 24-15-A at 8. The Attorney General recommends that actual costs as well as actual bill impacts be reviewed after twelve months of data becomes available and then in regular intervals (e.g., annually or every other year), to ensure that the tiered discount rates adequately serve eligible customers and appropriately balance overall costs and bill impacts (Attorney General Comments at 2, 9).<sup>19</sup> NCLC recommends annual adjustments of the tiered discounts (NCLC Comments on D.P.U. 24-15-A at 7).<sup>20</sup> The Stakeholder Coalition recommends that each Distribution Company's tiered discount rate structure should be reviewed when it files a base distribution rate case, with the

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<sup>19</sup> The Attorney General had previously recommended that the new framework be reviewed in base distribution rate cases (Attorney General Comments on D.P.U. 24-15-A at 5).

<sup>20</sup> We refer to the comments provided in response to D.P.U. 24-15-A as “[Stakeholder Name] Comments on D.P.U. 24-15-A,” to distinguish them from the comments provided in response to Energy Burden Inquiry, D.P.U. 24-15, Hearing Officer Memorandum on Tiered Discount Rates Model (May 15, 2025), which we refer to as “[Stakeholder Name] Comments.”

opportunity to adjust outside of rate cases in the event of major changes such as very high inflation (Stakeholder Coalition Comments on D.P.U. 24-15-A at 3). EDF recommends that the Department require regular updates from the Distribution Companies relative to any bill impacts (Exh. DPU-EDF 1-1). The Environmental Advocates recommend that the Department view this tiered discount rate structure as a long-term framework that should be routinely reassessed, with updates to target energy burden percentages as needed and appropriate balancing of the need for rate assistance against costs (Environmental Advocates Comments at 2-3).

The Distribution Companies recommend reviewing the low-income discount rate framework on a fixed schedule (e.g., every three to five years) to ensure alignment with changes in energy prices, inflation, usage trends, and other such items (Distribution Companies Comments on D.P.U. 24-15-A at 7). The Distribution Companies also recommend that the Department consider, on a set basis, a holistic review of policy changes, or other initiatives or drivers, that take place outside of the low-income discount rate framework and that may affect the overall balance of energy costs and target energy burdens (Distribution Companies Comments on D.P.U. 24-15-A at 7-8).

#### B. Conclusions on Implementation

The Department appreciates the stakeholder input received on implementation of the low-income discount rate framework, especially the input based on lessons learned from implementation of Eversource's Connecticut tiered discount rate program as well as from implementation of the National Grid electric companies' tiered discount rate program approved in D.P.U. 23-150. Given the critical importance of addressing energy burdens, the Department expects all Distribution Companies to implement their new low-income discount rate

frameworks as soon as practicable. Therefore, the Department directs each Distribution Company to implement its new low-income discount rate framework by November 1, 2026, the beginning of the next winter heating season. To ensure timely implementation, each Distribution Company must submit a compliance filing for Department review and approval containing the following items: (1) a schedule of steps, target dates, and costs broken out by type<sup>21</sup> to ensure implementation by November 1, 2026; and (2) a revised low-income tariff implementing the low-income discount rate framework. The compliance filings must be submitted no later than 60 days from the date of this Order. Further, the Department directs the Distribution Companies to provide status updates regarding their implementation efforts and progress every 60 days after submitting the compliance filings. The Distribution Companies shall calculate the discount rates based on the rates established as of the following dates: for EDCs, February 1, 2026, and August 1, 2026; for LDCs, November 1, 2025, and May 1, 2026.

To ensure that any necessary enrollment, outreach, and verification details are addressed before November 1, 2026, we direct the Distribution Companies to begin coordinating with the community action agencies and relevant state agencies as soon as practicable and continue their active engagement in the Phase II working group sessions. We anticipate that the results of the Phase II working group sessions will enable the Department to provide further direction on these issues in the future.

As noted above in Section III.C.4, the Department directs the Distribution Companies to phase in the new rates for those low-income rate class customers who will receive a reduced

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<sup>21</sup> Costs should be separated by type as well as by recurring versus one-time costs.

discount from current levels. Those customers should be kept at their current discount rate for the first six months (November 1, 2026, through April 30, 2027) with reductions not to exceed five percentage points occurring every six months thereafter until the greater of the discount associated with the target energy burden or the discount floor is reached. The Department declines to require the Distribution Companies to phase in the new discount rates for other low-income rate class customers because the purpose of this proceeding is to provide relief to low-income ratepayers as soon as practicable, and there is no reason to delay implementation of the increased discount levels.

The Distribution Companies shall continue to collect the revenue shortfall associated with the discounts via the RAAFs, subject to the changes discussed in Section VI, below. The Department recognizes the challenges inherent in forecasting the revenue needs resulting from this change because of the ambiguity regarding the number of customers in each income tier. Accordingly, we direct the Distribution Companies, when they make their next annual RAAF filings, to evaluate the rate change stemming from the increased discounts and propose any necessary mitigation strategies (e.g., implement a phase-in period over more than one year), taking into consideration other rate changes which are scheduled to occur at the same time.

A Distribution Company may file a petition to seek a deferral for non-discount incremental costs associated with implementing a tiered discount rate (i.e., costs beyond the scope of the existing RAAFs) if these costs meet the threshold for deferrals,<sup>22</sup> and if the deferral

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<sup>22</sup> A utility seeking deferral accounting treatment must demonstrate prima facie in its petition that: (1) based on Department precedent, the annual expense may be recoverable as an extraordinary expense if incurred during a test year; (2) a Department denial of the request for deferral would significantly harm the overall financial condition of the

is allowed, the Distribution Company may propose rate recovery for these costs in its next base distribution rate case. North Attleboro Gas Company, D.P.U. 93-229, at 7-8 (1994).

The Department intends to review the status of each Distribution Company's tiered discount rate program approximately twelve months following implementation, to see how well the overall low-income discount rate framework and the specific discounts are working and whether any adjustments are needed. At that stage, the Department will determine the timing and process for the next framework evaluation. The Department also intends to review the discounts in each Distribution Companies' base distribution rate case, to ensure that they are achieving the target energy burdens and remain aligned with changes in energy prices, usage trends, or other such items.

#### V. MODERATE INCOME DISCOUNT

On November 21, 2024, Massachusetts Governor Maura Healey signed into law Chapter 239 of the Acts of 2024, "An Act Promoting a Clean Energy Grid, Advancing Equity and Protecting Ratepayers" ("2024 Climate Act"). Section 48 of the 2024 Climate Act amended G.L. c. 164, § 1F by adding a new requirement for EDCs to "provide discounted rates for low income customers and eligible moderate income customers." Section 135 of the 2024 Climate Act directed the Department to investigate and promulgate regulations to implement this new requirement and establish a moderate-income discount rate.

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company; and (3) the Department's denial of the request for deferral is likely to cause the filing of a rate case that would include in its test year the expense for which deferral is sought. North Attleboro Gas Company, D.P.U. 93-229, at 7 (1994).

Anticipating that many of the participants in this proceeding would also be involved in the moderate-income discount rulemaking, the Department asked the D.P.U. 24-15 stakeholders to provide input on how to define “moderate income.”<sup>23</sup> Energy Burden Inquiry, D.P.U. 24-15, Hearing Officer Request for Input on Discounted Rates for Moderate-income Customers (December 26, 2024). In addition, the Distribution Companies, the Attorney General, and EDF responded to discovery regarding how to treat the shortfall from a moderate-income discount (Exhs. DPU 5-2; DPU 5-3; DPU-AG 1-2; DPU-AG 1-3; DPU-EDF 1-2; DPU-EDF 1-3). The Department has not yet commenced the moderate-income discount rulemaking, but the information gathered so far will be used to inform that proceeding, including determinations of how to define eligible moderate-income customers and how to recover the revenue shortfall from moderate-income discounts. The Department will also consider, as part of the moderate-income discount rulemaking, what framework should be used to determine the appropriate level of discount for eligible moderate-income customers.

## VI. RESIDENTIAL ASSISTANCE ADJUSTMENT FACTOR

### A. Introduction

The statute requiring EDCs to provide discounted rates states that the “cost of such discounts shall be included in the rates charged to all other customers of a distribution company.”

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<sup>23</sup> To maintain consistency between LDCs and EDCs, the Department anticipates amending 220 CMR 14.03(2A) to ensure that LDCs also provide discount rates to both low- and moderate-income customers. We further note that, if enacted, H.B. No. 4144 would replace G.L. c. 164, § 1F with a new section specifying that both LDCs and EDCs shall provide discounted rates for eligible moderate-income customers.

G.L. c. 164, § 1F (4)(i)).<sup>24</sup> The regulations pertaining to both EDCs and LDCs provide that each Distribution Company “shall allocate to other rate classes ... the revenue deficiency” resulting from the low-income rate tariff. 220 CMR 11.04(5) (EDCs); 220 CMR 14.03(2A)(d) (LDCs). Nevertheless, recovery for the shortfall from energy affordability programs (i.e., low-income discounts and arrearage management programs (“AMPs”))<sup>25</sup> currently occurs through the RAAF across *all rate classes*, including customers receiving the discount rate, within each Distribution Company’s respective service territory.

In the Vote and Order, the Department sought input on how the revenue shortfall associated with energy affordability programs should be recovered from other customers and whether it should be allocated only among residential customers of a utility or across all customer classes. Vote and Order at 14.<sup>26</sup> The Department also sought input on whether there should be a statewide recovery factor. Vote and Order at 14.

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<sup>24</sup> The statute uses the term “distribution company,” which G.L. c. 164, § 1 defines as “a company engaging in the distribution of electricity or owning, operating or controlling distribution facilities.” Thus, while G.L. c. 164, § 1F applies only to EDCs, the Department has established discounted rates and eligibility for LDC customers pursuant to 220 CMR 14.03(2A).

<sup>25</sup> AMPs provide arrearage forgiveness for customers who meet certain criteria; if customers make payments on time, the Distribution Companies credit them for a portion of their arrears. Vote and Order at 8.

<sup>26</sup> In D.P.U. 23-150, the Low-Income Weatherization and Fuel Assistance Program Network and Low-Income Energy Affordability Network, jointly, and the Massachusetts Energy Directors’ Association raised concerns that the recovery of discount costs from discount-rate-eligible customers was contrary to G.L. c. 164, § 1F(4)(i)). D.P.U. 23-150, at 600. The Department found it appropriate to defer this issue for further review and investigation in the instant proceeding. D.P.U. 23-150, at 603.

Based on the comments received in response to the Vote and Order, the Department determined that recovery of the revenue shortfall should continue to be collected through company-specific RAAFs across all customer classes but posed further questions to explore changes to the current recovery structure. D.P.U. 24-15-A at 7, 8-9. In particular, the Department noted the statutory language “all other customers,” which raised the question of whether those receiving a discounted rate should pay for the shortfall. D.P.U. 24-15-A at 7. The Department also issued discovery to the Distribution Companies, noting the “all other customers” language of G.L. c. 164, § 1F(4)(i)) and asking them how they would allocate the costs among the remaining customers if low-income rate class customers were exempt from paying the cost of discounts (Exhs. DPU 4-2; DPU 5-8). In addition, the Department sought stakeholder input on how to allocate the revenue shortfall associated with discounts if low-income rate class customers did not pay the RAAF.<sup>27</sup> Energy Burden Inquiry, D.P.U. 24-15, Hearing Officer Memorandum on Tiered Discount Rates Model at 7 (May 15, 2025).

Regarding the issue of statewide recovery, the Distribution Companies were split on the issue. The larger companies (National Grid and Eversource) preferred to maintain the RAAF within their service territories to avoid their customers’ subsidizing other companies’ customers. D.P.U. 24-15-A at 6. The smaller companies (Berkshire, Liberty, and Unitil) supported a statewide approach because they have relatively small numbers of customers (primarily residential) and their service territories include a relatively large number of environmental justice

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<sup>27</sup> The Department did not specifically seek input on recovery of the shortfall from AMP costs but understood that if low-income rate class customers did not pay the RAAF, they would also no longer be paying for AMP costs.

populations, low-income rate class customers, and households with higher energy burdens.

D.P.U. 24-15-A at 6-7. Thus, the smaller companies stated that sharing the costs of energy affordability programs across the state might be an equitable approach to cost recovery

D.P.U. 24-15-A at 7. The Department sought further input on the issue of whether recovery should be statewide (with separate recovery for gas versus electric) instead of by utility.

D.P.U. 24-15-A at 8.

B. Comments on the RAAF

1. Excluding Low-income Rate Class Customers from Paying the RAAF

Several stakeholders recommend that those ratepayers receiving the discount rate should not have to pay the RAAF, as doing so runs counter to the law and logic behind the discount rate program and the impact from excluding them would be minimal (DOER Comments on D.P.U. 24-15-A at 4-5; NCLC Comments on D.P.U. 24-15-A at 8-9; Stakeholder Coalition Comments on D.P.U. 24-15-A at 4). The Attorney General states that the issue is likely moot, as a tiered rate will set discount levels by income with a target energy burden level for each income tier (Attorney General Comments on D.P.U. 24-15-A at 8).

The Distribution Companies do not agree with exempting discount rate customers from paying for the costs of the discount because, as a matter of fairness, all customers should be treated the same (Distribution Companies Comments on D.P.U. 24-15-A at 10). The Distribution Companies assert that excluding discount rate customers increases the costs for all other customers, which would violate the long-held Department ratemaking principle that costs should be fairly apportioned among ratepayers (Distribution Companies Comments at 9). The Distribution Companies further maintain that the discount is intended to manage the entire bill,

including the RAAF component, so including discount rate participants will not create a burden for them, whereas excluding them would increase administrative complexity and costs, ultimately raising rates for all customers (Distribution Companies Comments at 10; Distribution Companies Comments on D.P.U. 24-15-A at 10). National Grid contends that the “all other customers” language in G.L. c. 164, § 1F(4)(i) -- and the corresponding language in the applicable regulations -- is based on an obsolete premise that the Distribution Companies provide discounts to their low-income rate class customers through discounted distribution rates, which no longer occurs (Exh. DPU 4-2 (National Grid)).

Despite its objection to the basic proposition, National Grid states that if the Department directed the utilities to exempt low-income rate class customers from paying the cost of the low-income discount, National Grid would need to create a new distribution revenue allocator to allocate the applicable low-income discount costs to all other customers, and would need to continue to use its existing distribution revenue allocator to allocate AMP-related costs (Exh. DPU 4-2 & Atts. 1, 2 (National Grid)). National Grid proposes to allocate the base distribution revenue target approved in its last rate case for the combined residential and low-income rate grouping into separate base distribution revenue targets for the residential rate class and the low-income rate class, based on each rate class’s number of customers (Exh. DPU 4-2 & Att. 1, at 1 (National Grid)). Eversource and Liberty explain that they would revise their distribution revenue allocators to remove the base distribution revenue targets for the associated low-income rate classes from the calculation of the distribution revenue allocator, although Liberty further explains that it would have to first determine the distribution revenue allocation factor for its low-income rate classes (Exhs. DPU 4-2 & Att. (Eversource); DPU 4-2

(Liberty)); DPU 5-8 (Liberty)). Liberty also provides the option of having a single RAAF that would be applicable to both the non-low-income residential and commercial and industrial customers, which would remove the low-income forecasted throughput from the rate calculation (Exh. DPU 5-8 (Liberty)). Berkshire and Unitil explain that they would revise their distribution revenue allocators to remove the distribution revenue requirement for the low-income rate classes and use the revised allocators to recover the low-income costs in the RAAF, while using the current allocators to recover the AMP-related costs included in the RAAF (Exhs. DPU 4-2 & Att. (Berkshire); DPU 5-8 & Att. (Berkshire); DPU 5-8 & Att. (Unitil)).

The Distribution Companies estimate that it would take about three to four months (after regulatory approval, system modification design requirements are finalized, and IT resources are scheduled and mobilized) to make billing system adjustments and billing changes (Distribution Companies Comments at 11 & n.7). In terms of costs, the Distribution Companies provided the following estimates: Berkshire estimates \$35,000 to upgrade the billing system, as its current billing system only allows Berkshire to charge one LDAF (which includes the RAAF as a component) to all residential customers; Eversource estimates \$30,000 for IT modifications and testing (assuming no bill print changes required); Liberty estimates \$20,000; Unitil estimates \$8,000 (without bill print updates); and National Grid estimates no incremental costs, as it requires no system upgrade (Exh. DPU 4-2 (Berkshire); Distribution Companies Comments at 11).

The Attorney General does not object to the proposals from Berkshire Gas, Eversource, and Unitil to revise their distribution revenue allocator to remove the low-income rate class from the calculation of its distribution revenue allocator (Attorney General Comments at 13). The

Attorney General prefers this approach to National Grid's proposal, which is based on residential customer count rather than revenue from each residential rate class (Attorney General Comments at 13). According to the Attorney General, National Grid's approach is inconsistent with how revenue allocators are determined for the RAAF and for other reconciling mechanisms (Attorney General Comments at 13).<sup>28</sup>

## 2. Statewide Recovery

The Distribution Companies remain split on the issue of statewide recovery (Distribution Companies Comments on D.P.U. 24-15-A at 10-11). Eversource and National Grid note that there is no uniformity in the levels of discounts available to each utility's customers, and that a statewide recovery approach without uniform levels of assistance would be challenging for the Department to administer in a way that achieves equity in both benefits and costs (Distribution Companies Comments on D.P.U. 24-15-A at 11). Berkshire, Liberty, and Unitil maintain that a statewide recovery model would more equitably address the energy burden issue (Distribution Companies Comments on D.P.U. 24-15-A at 11).

Most of the stakeholders that commented on the issue support a statewide recovery approach or recommend further evaluation of the benefits of this approach (Attorney General Comments on D.P.U. 24-15-A at 8-9; DOER Comments on D.P.U. 24-15-A at 2-4; Stakeholder Coalition Comments on D.P.U. 24-15-A at 4; Cape Light Compact Comments on DPU 24-15-A

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<sup>28</sup> The Attorney General also recommends that higher RAAF costs be phased in over time to slow the pace of increased costs, with gradual increases occurring every six months (Exh. DPU-AG 1-1).

at 4).<sup>29</sup> In their comments on the tiered discount rate framework, the Environmental Advocates note that statewide cost recovery would ease the burden on non-low-income rate class customers in smaller service territories (Environmental Advocates Comments at 3).

DOER asserts that a statewide recovery mechanism would more equitably recover the costs of the discount rates program by avoiding a disproportionate cost burden on customers in service territories that are least able to afford it (DOER Comments on D.P.U. 24-15-A at 2, 3). DOER states that the most notable disparity occurs in Unitil's service territory, where customers face high variations in monthly bill impacts from the RAAF because a higher percentage of customers (19.6 percent of residential electric customers) are on the low-income discount rate compared with the whole Commonwealth (12.8 percent) (DOER Comments on D.P.U. 24-15-A at 2). DOER also states that the RAAF contribution of a typical non-low-income electric residential customer using 600 kWh varies substantially across service territories, with that customer being charged \$4.90 per month and \$5.86 per month in Eversource's and National Grid's service territories, respectively, but \$18.37 per month in Unitil's service territory (DOER Comments on D.P.U. 24-15-A at 3). DOER further notes that the current framework exacerbates existing economic disparities: as 60.2 percent of Unitil customers live in a designated Environmental Justice ("EJ") population census block with an annual median income of below 65 percent of state median income, yet face a higher cost for the discount program compared to Eversource and National Grid customers (DOER Comments on D.P.U. 24-15-A at 3). DOER

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<sup>29</sup> The Attorney General further recommends that the Department seek additional state or federal funds to address affordability issues and revenue shortfalls (Attorney General Comments on D.P.U. 24-15-A at 9-10).

recommends that the costs of the electric bill discount program be recovered equally from all electric customers statewide, as energy affordability for low-income rate class customers is a statewide goal and thus the program should be supported equally by non-qualifying customers regardless of service territory (DOER Comments on D.P.U. 24-15-A at 3). DOER calculates a hypothetical statewide RAAF rate and further calculates the total monthly cost of \$5.48 for a customer using 600 kWh per month. This would represent a \$12.89 and \$0.37 reduction for a Unitil and National Grid customer, respectively, and a \$0.59 increase for an Eversource customer (DOER Comments on D.P.U. 24-15-A at 3-4).

C. Conclusions on the RAAF

The current practice of charging low-income rate class customers for the RAAF is inconsistent with G.L. c. 164, § 1F(4)(i), which requires “all other customers” of EDCs to pay for the costs of discounted rates. It is also inconsistent with the relevant regulations, which provide that both LDCs and EDCs shall allocate “to other rate classes” the revenue deficiency resulting from the low-income customer tariff. 220 CMR 11.04(5) (EDCs); 220 CMR 14.03(2A)(d) (LDCs). While the Distribution Companies do not support excluding low-income rate class customers from paying the RAAF, the Department must follow the plain language of the statute and regulations. Therefore, the Department directs the Distribution Companies to cease charging the RAAF to low-income rate class customers effective November 1, 2026.

With respect to recovery of costs from all other customers, the Department directs the Distribution Companies to develop a base distribution revenue allocator that excludes low-income rate class customers by removing the target revenue requirement associated with the low-income classes as of each company’s last rate case. For those companies unable to isolate

the target revenue requirement for low-income rate classes, we find National Grid's proposed method of calculating a distribution revenue allocator that excludes low-income rate classes to be a suitable alternative (Exh. DPU 4-2 & Atts. 1, 2 (National Grid)). Thus, those companies shall implement the method proposed by National Grid. Specifically, using target revenues and customer counts from their last rate cases, the Distribution Companies shall determine the number of total residential and low-income rate class customers taking service under low-income discount rates and remove the proportional value of target base distribution revenues from the total residential and low-income rate classes' total base distribution revenue target to calculate a new, low-income-excluded base distribution revenue allocator. In their next rate case, each Distribution Company shall, in Schedule 10 (for EDCs) or Schedule 11 (for LDCs), develop a target revenue requirement for each individual rate class and use it to develop a base distribution revenue allocator that excludes low-income rate classes.

The Distribution Companies should develop their base distribution revenue allocators excluding low-income rate class customers and provide them, along with revised RAAF tariffs, to the Department as part of the compliance filing due 60 days from the date of this Order, for implementation no later than November 1, 2026. Further, while some Distribution Companies indicated that they would create a new distribution revenue allocator only for the low-income discount costs and would continue to use their existing distribution revenue allocator for the AMP-related costs, the Department directs the Distribution Companies to remove the low-income rate class customer contribution from the RAAF entirely because, as both AMPs and low-income discounts provide financial assistance for low-income rate class customers, such customers should not have to contribute to the costs of either of these programs. To do otherwise

would be inconsistent with the statutory intent. Further, it would cause customer confusion and possibly require a new rate factor if these customers still paid for the AMP-related costs recovered through the RAAF.

We now turn to the issue of statewide cost recovery. As noted above, statewide recovery of low-income discount costs is currently disallowed by the statute, which states that the “cost of such discounts shall be included in the rates charged to all other customers *of a distribution company.*” G.L. c. 164, § 1F(4)(i) (emphasis added). This means that the Department has no authority to direct the Distribution Companies to develop a statewide recovery mechanism without a legislative change. Nevertheless, the Department agrees with the arguments presented by DOER and others that, under the current framework, the burden of funding low-income discount rates disproportionately falls on communities that are least able to afford it. Similarly, the Department agrees that it is inequitable to require customers in disproportionately low-income, EJ populations to bear higher costs to support the low-income discount rate. The Department further posits that with statewide recovery, costs could be sufficiently spread to allow for a lower target energy burden in the future with minimal impact to all other customers, while lowering the energy burden experienced by low-income rate class customers.

The Department has previously considered the merits of sharing the costs of low-income discount rates and AMPs statewide. Investigation into Expanding Low-Income Consumer Protections and Assistance, D.P.U. 08-4, at 38-41 (2008). While the Department endorsed the principle as a means to spread costs more evenly among consumers and ease the burden on consumers living in economically depressed areas, we recognized that a statewide mechanism would require legislation. D.P.U. 08-4, at 40. The Department recommended that the Best

Practices Group (a working group formed to evaluate AMP effectiveness) consider the potential benefits of a statewide pool, as well as access the necessary legislative steps. D.P.U. 08-4, at 40-41. Unfortunately, the Best Practices Group could not reach consensus on the issue (Unitil/Berkshire/Liberty Comments on D.P.U. 24-15-A at 3, citing Report of the Low-Income Best Practices Working Group on Low-Income Discounts, at 2 (December 1, 2008)). The Department revisited the statewide funding issue in 2013 (as required by An Act Relative to Competitively Priced Electricity in the Commonwealth, St. 2012, c. 209, § 44), but was reluctant to endorse it because it would lead to cross-subsidization across Distribution Companies. Investigation Regarding Financing of Low-Income Electric and Gas Discount Programs, D.P.U. 13-73, at 26 (2013). Recently, however, the Department has established precedent for cross-utility subsidization by its approval of a statewide pool to share the costs, savings, and benefits of certain prescriptive electrification efforts (*i.e.*, heat pumps) across company service areas to achieve statewide greenhouse gas emission reductions. 2025-2027 Three-year Energy Efficiency Plans, D.P.U. 24-140 through D.P.U. 24-149, at 137-144 (2025).

We further note that on May 13, 2025, Governor Healey filed An Act Relative to Energy Affordability, Independence and Innovation (“H.B. No. 4144”).<sup>30</sup> If enacted, H.B. No. 4144 would replace G.L. c. 164, § 1F(4) with a new section providing for statewide cost recovery of discounted rates, across EDCs and LDCs separately, to promote rate equity across the state. The Department appreciates the Governor’s proposal to implement statewide recovery of the cost of discounts, as this would significantly mitigate the bill impacts experienced by the customers of

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<sup>30</sup> <https://www.mass.gov/doc/2025-energy-affordability-independence-and-innovation-act-filing-letter-and-bill-text/download> (last visited on January 30, 2026).

smaller utilities with negligible impacts to the bill impacts experienced by customers of the larger utilities. Thus, while the current statute prohibits the Department from directing the Distribution Companies to develop a statewide recovery proposal, the Department encourages the Legislature to consider enacting legislation that would permit statewide recovery of the discounts provided to low-income rate class customers.

VII. ORDER

Accordingly, after notice, comment, and consideration, it is:

ORDERED: That Boston Gas Company, Massachusetts Electric Company, Nantucket Electric Company, NSTAR Electric Company, NSTAR Gas Company, Eversource Gas Company of Massachusetts, Fitchburg Gas and Electric Light Company, Liberty Utilities (New England Natural Gas Company) Corp., and The Berkshire Gas Company shall implement tiered discount rates for low-income rate class customers no later than November 1, 2026; and it is

FURTHER ORDERED: That Boston Gas Company, Massachusetts Electric Company, Nantucket Electric Company, NSTAR Electric Company, NSTAR Gas Company, Eversource Gas Company of Massachusetts, Fitchburg Gas and Electric Light Company, Liberty Utilities (New England Natural Gas Company) Corp., and The Berkshire Gas Company shall submit compliance filings consistent with the directives above no later than 60 days after the date of this Order; and it is

FURTHER ORDERED: That Boston Gas Company, Massachusetts Electric Company, Nantucket Electric Company, NSTAR Electric Company, NSTAR Gas Company, Eversource Gas Company of Massachusetts, Fitchburg Gas and Electric Light Company, Liberty Utilities

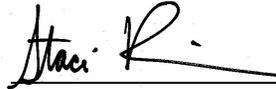
(New England Natural Gas Company) Corp., and The Berkshire Gas Company shall submit status updates on their implementation efforts every 60 days following implementation; and it is

FURTHER ORDERED: That Boston Gas Company, Massachusetts Electric Company, Nantucket Electric Company, NSTAR Electric Company, NSTAR Gas Company, Eversource Gas Company of Massachusetts, Fitchburg Gas and Electric Light Company, Liberty Utilities (New England Natural Gas Company) Corp., and The Berkshire Gas Company shall comply with all other directives contained in this Order.

By Order of the Department,



Jeremy C. McDiarmid, Chair



Staci Rubin, Commissioner



Elizabeth A. Anderson, Commissioner

An appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part. Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of the twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. G.L. c. 25, § 5.